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FROM: [REDACTED]

Director of Global Issues

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SUBJECT: Chile: Scenarios of Dramatic Political
Change [REDACTED]

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1. This memorandum presents a number of possible scenarios that could follow the death of President Pinochet or end ultimately in his ouster. It thus complements Intelligence Community assessments and estimates that focus on probable further developments in Chile. The analysis, purposely provocative, aims to make explicit and bring to the forefront of our thinking the diversity of challenges that could threaten the Pinochet regime in the years to come. Because the analysis out of context is susceptible to misunderstanding, external distribution has been severely restricted. Please limit circulation in your office and do not reproduce the document. Your thoughts on the analysis and suggested indicators are welcome. [REDACTED]

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Attachment:

"Chile: Scenarios of Dramatic
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GI M 85-10277L, 17 October 1985,

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(GI M 85-10277L)

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CHILE: SCENARIOS OF DRAMATIC POLITICAL CHANGE*

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PREFACE

This memorandum explores alternative scenarios that could lead to the ouster of President Pinochet or other dramatic change in Chile. Specifically, it seeks to clarify the individuals and groups that might attempt to seize power, circumstances that could impel or impede takeover attempts, and indicators that would suggest specific scenarios are unfolding. The analysis, purposely provocative, does not attempt to predict the likelihood of specific outcomes other than in the broadest sense. Rather, it provides a structured way of thinking about possible leadership change in Chile on the basis of observable events and thus a greater ability to recognize the potential implications of key developments.

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SUMMARY

President Pinochet is in control, but the political turmoil of the last two years has undercut his position. Political parties have become more active and unified, his civilian political base has narrowed, and leftist terrorism is growing. Pinochet has retained the loyalty of the military, but serious disagreements within the junta and squabbling among the security services suggest that military support may no longer be automatic and unqualified.

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A senior officers' coup is the most likely scenario of dramatic political change, in our view. If the recently formed broad opposition front remains cohesive, anti-regime protests

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*This memorandum was prepared by [] Foreign Subversion and Instability Center, Office of Global Issues. Information available as of 20 September was used in this report. Comments and queries are welcome and may be addressed to [] Chief/Political Instability Branch, OGI on []

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intensify, and radical violence accelerates, we believe Pinochet's fellow officers would press him to moderate his policies and consider an accelerated transition to civilian rule. If he resisted, they probably would try to remove him from office. [REDACTED]

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We believe the chances that Pinochet would bow to the demands of the moderate opposition and agree to an accelerated transition are modest but growing. The opposition would have to further expand its popular base, develop a stronger infrastructure, and gain greater military support before Pinochet would question his ability to remain in power. It is less likely, in our view, that Pinochet would choose instead to crack down violently against the moderate opposition. This almost certainly would require a purge of several senior military officers who support the moderate opposition and oppose increased repression.

[REDACTED] 25X1

In our view, there is only an outside chance that Pinochet would retire voluntarily. If he did, Pinochet probably would choose a conservative Army officer to serve as a caretaker until the presidential plebiscite in 1989. Prospects for a radical left government coming to power also are remote. Radical leftist groups are actively laying the groundwork for a future insurgency, but we believe it will take them several years to develop the necessary military infrastructure to seriously challenge the regime. [REDACTED]

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Pinochet's departure would carry with it both opportunities and risks for the United States. In our view, US interests would

[redacted]

benefit if the transition to civilian rule--now slated to begin in 1989--were advanced, especially if power were turned over to political moderates and a representative democratic system were established. However, Chile's moderate politicians appear less willing than Pinochet to adhere to the terms for repaying the \$20 billion foreign debt. They would be more likely to endorse the proposal of Peruvian President Alan Garcia and limit payments to a fixed percentage of export earnings. [redacted]

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Pinochet's replacement by another military strongman who continued the repressive policies that have prevailed for the past 12 years would risk further polarization and provide greater opportunities for the radical left to promote the armed struggle. A radical left government almost certainly would establish ties with the Soviet Union, Cuba, and other radical states and facilitate efforts by these countries to meddle in the affairs of Chile's neighbors. [redacted]

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If Pinochet prolonged his stay, the impact on US interests would be mixed. Pinochet has been a staunch opponent of Communism, but he also has resisted any significant move toward political liberalization in Chile at a time when the trend toward democratization is so evident elsewhere in Latin America. Moreover, we believe his continuation in power would accelerate polarization and increase the likelihood of serious violence breaking out upon his departure from office. [redacted]

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THE PRESENT SCENE

Chilean politics has been dominated by President Augusto Pinochet Ugarte since the military overthrew Salvador Allende in 1973. To consolidate his position, Pinochet from the outset repressed all opposition and tried to eliminate the radical left. Pinochet also manipulated the military to ensure their continued loyalty and, over the past few years, has played on middle-class fears of renewed political violence to undercut support for the opposition. [REDACTED]

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The Constitution that was promulgated in 1981--and which the opposition maintains is illegitimate--granted Pinochet an eight-year term through 1989, when the transition to a democratic system is scheduled to begin. At that time, a plebiscite will be held to ratify a single candidate chosen by the regime. We believe that Pinochet intends to be that candidate--if necessary, by resigning from the military and seeking election as a civilian to serve another eight year term. [REDACTED]

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Pinochet's strength appears to have seesawed since 1983, when a severe economic recession helped stimulate mass protests. Labor unions and resurgent political parties staged monthly nationwide days of protest, calling for Pinochet's immediate resignation and a quick transition to civilian rule. In response to pressure from senior military officers to moderate his policies, Pinochet appointed an old-line politician, Sergio Jarpa, as Interior Minister and authorized him to begin a dialogue with moderate opposition leaders in what came to be called "the political opening". According to Embassy sources, this gesture

[redacted]

undercut middle-class support for the opposition, but radical leftist groups escalated their terrorist campaign. [redacted]

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Pinochet responded to renewed efforts by the opposition to stage protests and a series of terrorist attacks on the security forces by imposing a state of siege in November 1984. The government regained the momentum, and in June 1985, the state of siege was replaced by an ostensibly less severe state of emergency. Early this year, Pinochet purged Jarpa and another moderate minister from his cabinet. In so doing, he:

- o Eliminated potential sources of dissent within the regime.
- o Signaled that he would no longer permit a dialogue with the opposition on accelerating the transition.
- o Indicated that he planned to pursue a hard line with the moderates as well as the terrorists. [redacted]

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Popular support for the Pinochet regime continued to deteriorate in the aftermath of the state of siege--an opinion poll taken last June showed that a majority supports transition to democratic rule before 1987. Recent confirmation that the security forces had killed three Communists in March--despite official denials at the time--has further damaged the regime's credibility and aggravated long-standing rivalries and institutional infighting between the security services. According to the US Embassy, Pinochet has tried to distance himself from the developing scandal by shaking up the top leadership of the Carabineros (National Guard), cashiering its Commander, and dissolving its intelligence arm. [redacted]

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A watershed in Chilean politics may have occurred in late August, when the moderate opposition signed an unprecedented

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joint agreement that renewed the call for an early return to civilian rule. The ability of the moderates to unite around a responsible, orderly proposal has put Pinochet further on the defensive. He has rejected the proposal and declared he will adhere to the timetable stated in the Constitution, but we believe he realizes that his backing within the government and the military now is less certain. [REDACTED]

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The regime also is vulnerable, in our view, to increased terrorist and economic pressures. Terrorism has been comparatively low in the past, but recent events--such as the attempted rocket attack on the presidential palace in June--indicate that the terrorists are using more sophisticated equipment and are determined to attack senior officials and military targets. Opposition groups, both radical and moderate, also appear to be in a better position to attract new supporters who would be alienated from the regime by another economic decline. However, we believe a dramatic downturn similar to that in 1982--when growth fell to minus 14 percent and unemployment reached 24 percent--is unlikely unless international financial support is withdrawn. [REDACTED]

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GROUPS CAPABLE OF SEIZING POWER AND OTHER MAJOR ACTORS

The military is the only group capable of seizing power from Pinochet during the next three to five years. The intentions of its leaders during this timeframe will play a critical role in determining whether Chile moves toward a civilian government and at what pace. So far, the professional and disciplined military

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[redacted]

has been basically steadfast in its loyalty to the President. To ensure its support, Pinochet has manipulated the military through promotions, pay, and loyalty bonuses while restricting political activity. According to the US Embassy, many officers believe they have a "sacred commitment" to reform the country and to ensure that the Communists are excluded from the political process before returning power to the civilians. Moreover, most are firmly committed to the Constitution, in part because it grants them immunity from prosecution for their conduct under Pinochet. [redacted]

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The junta--the Commanders of the Navy, Air Force, and Carabineros, and the second highest Army leader after Pinochet--remains loyal to the President, but tensions have resurfaced on several occasions since 1982. [redacted]

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[redacted] We believe senior military officers also have been worried over the debilitating effects of the death-squad scandal, the shake-up of the Carabineros high command, and evidence of heightened rivalry and squabbling among the security services.

[redacted]

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[REDACTED]

We believe the reimposition of a state of siege or any further hardening of Pinochet's policies towards the moderate opposition would cause serious strains within the senior officer corps. In our view, military dissatisfaction might even approach regime-threatening proportions if:

- o Pinochet persists in manipulating the political process to remain in power indefinitely.
- o The President refuses to relax political restrictions despite growing polarization within the society.
- o Leftist terrorism escalates.
- o Chile plunges into a severe economic recession. [REDACTED]

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The moderate opposition has become significantly more unified in recent months and now is pressing hard for an accelerated transition to democracy. Eleven parties--from the democratic left through the moderate right--signed a "National Accord" in August calling for an end to all of the regime's political restrictions, direct presidential and congressional elections, and negotiations between the regime and the opposition to set the transition process in motion. The Accord implicitly accepts the validity of the Constitution and deals with the contentious issue of banning the radical left by proposing that it be resolved by a constitutional tribunal. Although Pinochet rejected the Accord, it has continued to gain new adherents from trade unions, non-political associations, and respected public figures. If the moderate opposition can remain united and vocal, we believe the military could become sufficiently concerned to press Pinochet to reconsider. [REDACTED]

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Chief among the moderate opposition groups is the Christian Democratic Party--Chile's largest. It enjoys strong middle-class support, has been trying to organize in slum areas, and traditionally has had ties to the Catholic Church. The party also spearheads the Democratic Alliance coalition formed in 1983--whose members signed the National Accord--and, [REDACTED]

[REDACTED] is hoping to broaden its base and rebuild influence with organized labor and professional organizations. [REDACTED]

The right is trying to overcome years of organizational decline, personal rivalries, and the stigma of having been closely tied to the regime. Pro-government parties are on the decline, and most of them favor civilian rule, have been distancing themselves from the government, and have been collaborating increasingly with the Democratic Alliance. The National Party, traditionally the largest on the right, and the National Union--which carries weight among influential conservative sectors--are not members of the Alliance but did sign the National Accord. [REDACTED]

The radical left, including the well-organized and disciplined Communist Party, has been working actively to lay the groundwork for an insurgency. The far left historically has commanded significant popular support--upwards of 15 percent of the popular vote in pre-1973 elections for the Communist Party alone. [REDACTED]

Radical leftist groups also have cooperated in an overt campaign to try to mobilize political support. [REDACTED]

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The Manuel Rodriguez Patriotic Front, an affiliate of the Communist Party, is primarily responsible for the terrorist campaign of the last two years. Since 1984, the radical left has tried increasingly to provoke harsh government responses in order to polarize the population. The Communists and the Front have engaged in joint operations with the other leading terrorist group, the Movement of the Revolutionary Left. So far, the Communists have resisted the Movement's overtures to create a so-called popular army, chiefly because they do not want to share control with any other group.

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Labor unions have a history of intense politicization and militancy but have been weakened since 1973 by repression and token concessions. Now they are basically subservient to the regime. Nonetheless, critical sectors such as transportation and utilities remain over 80 percent unionized, and a general strike would paralyze the country. To date, the opposition has failed

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[redacted]

to mount a general strike that labor unions and workers would endorse, but we believe workers might support a prolonged strike or join in opposition protests if economic conditions deteriorated as sharply as they did in 1982. [redacted]

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Student politics has revived over the last year, as has student support for leftist groups, including the Communist Party and the Movement of the Revolutionary Left. Since October 1984, center-left coalitions have unseated regime-imposed organizations in student elections on Chile's two major campuses, and numerous sit-ins and demonstrations have been staged. According to the US Embassy, the regime's response so far has been uneven, but the replacement of the Education Minister with a hardliner in July indicates that Pinochet is determined to eliminate the unrest. Students probably will continue to play an important role in future opposition efforts by using radical left youth groups to organize protests in slum areas and to challenge the security forces in downtown areas. [redacted]

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The Catholic Church played a key role in getting the moderate opposition to formulate the National Accord. Its relationship with the regime has deteriorated steadily during the past year, and [redacted] Church leader Cardinal Fresno has grown impatient with the regime's intransigence. Pinochet recently rebuffed his personal appeal for moderation. Nonetheless, we believe Fresno still hopes that the Church can serve as mediator between the moderate opposition and the regime to ensure that negotiations on a transition process are held.

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SCENARIOS OF DRAMATIC POLITICAL CHANGE

Five scenarios are presented below. The first outlines two paths a succession crisis could follow. The others examine possible mechanisms for Pinochet's ouster or other dramatic political change in Chile. It is possible that two or more scenarios could take place sequentially. Following each scenario is a list of indicators--a series of observable events--which signal milestones in the scenario's progression. Like a major road from which a number of forks can be taken, several scenarios share some of the same signposts. Each scenario though is likely to manifest these common indicators in different combinations along with other indicators that are unique. Hence, the observation of some indicators may merely suggest a general direction while others may represent major turning points. [REDACTED]

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Pinochet Dies or Is Incapacitated

If Pinochet were to die or become incapacitated, the Constitution states that the junta is to choose his successor by unanimous vote within 48 hours.* We expect that the Army hierarchy--the real power in the military--actually would make the choice, although junta members would be able to voice their preferences. We lack detailed information about the political views of the Army high command, but we believe they would choose a successor from within their ranks. [REDACTED]

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If no negotiations on the National Accord had been held by the time of Pinochet's death, opposition leaders would move quickly to establish contacts with key Army officers and lobby for the selection of a moderate successor. Cardinal Fresno would supplement their efforts and offer to serve as mediator between

*The formal succession arrangements would change once a functioning Congress is created in 1990, but only if Pinochet is not reelected. [REDACTED]

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the two sides. Opposition leaders probably would suspend any protest activity to convince the military of their moderation and persuade the new president to reopen political negotiations. Only if a hardliner were selected and refused to negotiate on the basis of the National Accord would the moderate opposition resume protests. Meanwhile, the radical left might step up its terrorism campaign to capitalize on the uncertainty and force the selection of a hardliner in the hope of accelerating polarization.

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We believe the Army would select a moderate if the opposition remained cohesive or if negotiations already were underway at the time of Pinochet's death. In our view, the new leader would have a mandate to resume the dialogue with moderate leaders but would move quickly against the radical left to restore law and order. As long as he did not extend the harsh measures to the population at large, he probably would retain the confidence of his military backers and maintain a favorable climate for negotiations.

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We envision a different scenario, however, if Pinochet were assassinated. The assassination would bring a swift and massive response from the government against terrorists and, perhaps, all opposition groups if the regime perceived them as equally responsible. We believe the junta would close ranks and delay naming a permanent successor until any serious threat to law and order had subsided. The new president doubtless would refuse to negotiate any changes in the transition timetable. If Pinochet were assassinated in 1989, the regime might agree to proceed with the

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transition but might rig the plebiscite to ensure its choice is ratified. [REDACTED] 25X1

Indicators of the Developing Scenario

- o Pinochet dies or is incapacitated.
- o Senior Army officers engage in continuous discussions; junta members are included but are not key actors.
- o Moderate opposition leaders, businessmen, and Cardinal Fresno lobby senior Army officers as the succession scenario unfolds.
- o The new president includes politicians from the moderate right in his cabinet and maintains contact with opposition leaders.
- o The radical left steps up terrorist activity to encourage the selection of a hardliner and further polarize society.
- o The successor orders a crackdown on the radical left and maintains political restrictions. [REDACTED] 25X1

The Military High Command Ousts Pinochet

We believe senior military officers would increasingly question Pinochet's leadership if the President's policies appeared ineffective or counterproductive in addressing a deteriorating political and economic situation. According to the US Embassy, military loyalty to Pinochet, though strong, is tempered by a greater loyalty to the services and a commitment to preserving stability. [REDACTED] 25X1

Internal security could degenerate severely if the radical left stepped up its terrorist campaign and an economic crisis--marked by a surge in unemployment and a sharp decline in living standards--occurred simultaneously. Spontaneous social unrest of significant proportions would break out and contribute to the turmoil generated by the terrorists. The political parties, 25X1

labor unions, and the radical left would seek to turn the unrest into a massive, prolonged anti-regime protest. The parties would stage rallies and demonstrations and urge the unions to mount a general strike to paralyze the country. Meanwhile, the far left would fan any spontaneous violence in the urban slums, and its extremist rhetoric might win it new supporters among the unemployed. [REDACTED] 25X1

Military officers would support a harsh response by Pinochet to counter the terrorism but would disapprove if a hard line, such as a reimposition of the state of siege, were applied to the moderate opposition as well. Senior officers would be concerned if blanket repression generated more polarization, the Army became increasingly bogged down with internal security responsibilities, the military suffered high casualties from terrorist attacks, or troop morale and efficiency fell. Senior officers would approach Pinochet and urge him to be more flexible with the moderate opposition--and perhaps agree not to seek a second term --in order to defuse the unrest and reduce the pressure on the security services. [REDACTED] 25X1

If Pinochet remained intransigent despite repeated appeals and if growing polarization spawned mounting political violence, we believe the high command would start plotting to remove him from office. Senior officers probably would act only with near unanimity. Army officers in command of key combat forces would have to support any move by the junta in order to convince Pinochet that he had no choice but to step down. A senior Army officer willing to pursue a more flexible course most likely

would be named to succeed Pinochet. The successor then would initiate discussions with the moderates--and perhaps agree to an accelerated transition timetable--while continuing to repress the radical left. [REDACTED] 25X1

Indicators of the Developing Scenario

- o The radical left steps up its terrorism campaign.
- o A major economic recession spurs unemployment, business failures, and spontaneous demonstrations and violence.
- o Moderate opposition rallies attract significant segments of the middle class, and moderate leaders demand an early return to civilian rule.
- o Pinochet orders a crackdown on all opposition, reimposes the state of siege, and orders the Army to assist the Carabineros in restoring order.
- o The security forces suffer high casualties, morale falls, and terrorism continues unchecked.
- o Senior military officers urge Pinochet to lift the state of siege, allow negotiations with the moderates, and agree not to run for reelection.
- o Pinochet remains intransigent, and senior officers ask key Army commanders to support his removal.
- o The high command confronts Pinochet, informs him that he no longer has military support, and asks him to step down gracefully. [REDACTED]

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The Moderate Opposition Forces an Accelerated Transition

The moderate opposition already has strengthened its position considerably and could do so further if the disparate parties can coordinate their activities and continue to attract support from significant portions of the population. A political crisis, such as a broadening of the Carabineros scandal that directly implicated Pinochet, could give a major boost to the opposition movement. It probably would lower Pinochet's political standing further, alienating many of his middle class

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supporters and discrediting his claim to be the guardian of political order. Moderate opposition leaders would try to capitalize on the crisis to attract middleclass support and to fashion a common rallying point for their activities. They also would contact senior military officers, probably using the Church's good offices, to urge renewed negotiations with the regime. If Pinochet remained adamantly opposed to a dialogue, the political parties would organize joint demonstrations but would eschew cooperation with the radical left to avoid appearing extreme and alarming the military. [REDACTED]

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A unified, vocal opposition capable of staging massive demonstrations with middleclass support would be a major political force that the regime could not easily repress or ignore. Although Pinochet's first inclination would be to crack down, he might waver if he believed such action would be politically counterproductive or make him vulnerable to a coup. If Pinochet believed he could not trust the military to reach an acceptable accommodation--perhaps because senior officers publicly declared their support for negotiations or were already meeting with opposition leaders--Pinochet might decide to negotiate with the moderates himself. Once Pinochet realized that the strength of the opposition made his continuation in power questionable, he either would agree to an accelerated transition or would name a caretaker successor until the plebiscite in 1989. Any agreement that Pinochet accepted, however, would have to ensure his personal safety upon departing office. [REDACTED]

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Indicators of the Developing Scenario

- o A political crisis narrows the regime's civilian base and alienates large segments of the middle class.
- o The moderate opposition immediately jumps on the issue, castigating the regime and organizing joint protests that attract middleclass and Church support.
- o Protests sponsored by the radical left are not endorsed by moderate leaders and attract little popular support.
- o Air Force Commander Matthei, who already has said publicly that he welcomes the National Accord, develops stronger ties to moderate opposition leaders.
- o Senior Army officers indicate that they endorse the Accord and support Matthei's initiatives.
- o Pinochet authorizes his cabinet to negotiate with the moderate opposition, bypassing the military high command.

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Radical Left Activity Leads to Prolonged Political Violence

Major changes in Chilean politics would have to occur before the radical left would be strong enough to challenge the regime. Large segments of the population would have to become alienated from the government. If significant portions of the middle class and the Catholic hierarchy began to support the left--clandestinely or openly--the regime's ability to forestall a "Nicaraguan solution" for Chile would become progressively weaker.

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The radical left would continue to build its ranks by:

- o Capitalizing on an unpopular issue, such as a broadening of the Carabineros scandal or a deteriorating economy.
- o Asserting that Pinochet has no intention of ever leaving office.
- o Arguing that the moderate opposition was incapable of effecting change.

The radical left would gain the support of the poorer urban neighborhoods as its supporters there clashed with the security

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forces. Bombings would be more frequent, more lethal, and directed against economic targets as well as military and government installations. The security forces and government officials also would be targeted for assassination. [REDACTED]

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As the radicals developed a military infrastructure capable of sustaining an insurgency--which we believe would take several years--they would establish logistics bases of support in rural areas and sanctuaries along the borders of neighboring states. Radical left leaders in exile would be infiltrated back into Chile, while Cuba, the Soviet Union, and other allies would step up the flow of arms and other assistance. The radical left also would try to exploit any evidence of government corruption to bring international condemnation on the regime. As their capabilities and membership grew, the radical left would try to extend the violence to all major cities and directly engage the security forces in combat. [REDACTED]

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Pinochet would respond firmly to the escalating violence, but his insistence on harsh repression and his determination to perpetuate himself in power probably would lead to further polarization. Moreover, the ability of the security forces could be hampered by falling morale if the terrorists continued to target their forces, or if their families and friends no longer chose to side with the government. If security continued to degenerate and senior military officers were seriously troubled by declining morale in their ranks, they would urge Pinochet to be more flexible and to announce his intention to step down in 1989. If Pinochet refused, the military hierarchy probably would begin planning to remove him from office. [REDACTED]

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[redacted]

An accelerated transition would be out of the question as long as the radical left remained unchecked. Although the security forces almost certainly would retain control, the regime would be confronted with the prospect of a prolonged period of turmoil verging on civil war that would leave the country deeply divided. If Pinochet or a successor installed by the military decided to cut his losses and arrest the growing polarization of society, a compromise might be reached to hold the plebiscite--or elections--on schedule in 1989 and allow moderate politicians to run. Once a new civilian leader was installed, the radical left then would work to have sympathizers named to influential posts, thereby giving them political entree that they later could exploit to subvert the new regime. [redacted] 25X1

Indicators of the Developing Scenario

- o The regime's middle class supporters and the Catholic Church are alienated by a major economic relapse or government scandal.
- o The moderate opposition remains divided over tactics, cannot mount a coordinated response to the government, and fails to attract the middle class.
- o The radical left steps up terrorism, organizes the urban slums, and establishes rural bases and sanctuaries.
- o Cuba and the Soviet Union provide training and send large amounts of arms, money, and materiel to the insurgents.
- o The regime institutes harsh repressive measures against all sectors of the population, and the Carabineros and Army are hamstrung by poor morale.
- o The junta asks Pinochet to moderate his policies or step down.
- o Pinochet or his successor turns over power to a civilian in 1989, and the radical left gradually insinuates itself into power. [redacted]

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Pinochet's Intentions Change

Stepped-Up Repression

Pinochet has threatened the opposition--both moderate and radical--with harsher measures if unrest continues, and it is possible he would launch a massive campaign to eliminate his opponents. Before he could order a crackdown on civilians, however, Pinochet first would have to catch senior officers off guard and purge those he believed might attempt a coup. He then would reimpose the state of siege and censorship, round up moderate opposition leaders, and authorize a total crackdown on the radical left. A situation similar to the mid-1970s would prevail, with disappearances, torture, and executions increasingly common. Ultimately, Pinochet might cancel the 1989 plebiscite and announce his intention to remain in power indefinitely.

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Indicators of the Developing Scenario

- o Pinochet purges senior officers who advocate more flexible policies.
- o A state of siege is reimposed and moderate leaders are arrested or exiled.
- o The security forces launch a "dirty war" against radical left members and sympathizers.
- o Pinochet cancels the 1989 plebiscite.

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Pinochet Voluntarily Retires

We expect Pinochet to hold onto his office as long as he can, but he has taken unexpected actions in the past. Pinochet might decide to step down voluntarily because of family or health reasons, a sense that he had fulfilled his mandate to reform Chile, or some unforeseen event.

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If Pinochet retires before 1989, he probably would attempt to install a conservative Army officer as interim president until the plebiscite. The moderate opposition most likely would lobby the military to hold elections instead of a plebiscite or, at least, to select a civilian candidate. The closer to 1989 that Pinochet retires, the less opportunity the new regime would have to consolidate its position and the greater the chances that the moderate opposition could prevail. [REDACTED] 25X1

Indicators of the Developing Scenario

- o Pinochet announces that he will retire and names a conservative Army officer as interim president.
- o Moderate opposition leaders step up pressure on the military to agree to electoral reforms or the selection of a civilian candidate for 1989.
- o Moderate military officers persuade the new president to agree to some of the opposition's demands. [REDACTED]

IMPLICATIONS FOR US INTERESTS

Although Chile is important to the United States as a political ally, it also is an authoritarian state and an important Third World debtor. Politically, Chile remains one of the few countries in Latin America which has resisted the trend toward democratization and which continues to systematically restrict human rights. Although Pinochet remains a staunch opponent of Communism, his refusal to move toward liberalization increases the likelihood of political polarization and fuels the possibility of a radical left takeover. The longer he stays in power, the more likely it is that the level of instability will grow and that serious violence could break out upon his departure from office. [REDACTED] 25X1

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Economically, Chile is the fifth largest Latin American debtor and owes US banks a third of its \$20 billion debt. Foreign investment is crucial for domestic production in Chile, and the regime so far has avoided declaring support for a debt moratorium to avoid antagonizing its creditors. A moratorium is not completely unthinkable, however. Considerable pressure from creditors--such as a threat to suspend additional aid unless the human rights situation improves--could prompt either Pinochet or a successor to threaten a moratorium to improve its bargaining position. Declaration of a moratorium or support for a debtors cartel, moreover, could encourage other debtors such as Argentina to follow in Chile's path. [REDACTED]

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We believe an accelerated transition to civilian rule would be the most beneficial to US interests. A representative democracy in which the center and democratic left would have a greater stake in the system would undermine the appeal of the radical left. A moderate civilian government also would be the most likely to respect human rights, and the greater stability would provide a favorable climate for foreign investors. It is less clear, however, that a moderate civilian regime would honor the current terms for repaying Chile's debt. The leader of the Christian Democrats already has said the conditions require unacceptable social and economic hardships and has praised the position of Brazil's President Sarney and Peru's President Alan Garcia. [REDACTED]

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The advent of a moderate military successor following Pinochet's death, early retirement, or a coup also would benefit

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US interests, in our view. While a moderate military leader probably would continue to repress radical terrorism, he most likely would be responsive to opposition requests to reopen negotiations, possibly including an accelerated transition. Such a successor most likely would assure the United States and other foreign creditors that his government would honor Chile's debts and maintain a favorable investment climate by eliminating human rights abuses. A successor who came to power in the wake of Pinochet's assassination, however, would have less flexibility. His first priority would be to maintain law and order, and he probably would be much less willing to consider accelerating the transition. [REDACTED]

25X1

A radical left takeover would be the worst possible scenario for US interests. We believe the authoritarian regime that would follow would be even less inclined than the present government to return the country to democratic rule, and human rights abuses would be flagrant and sweeping. Close ties would be established with Cuba, the Soviet Union, Nicaragua, and possibly Libya, and the presence of the new regime might facilitate efforts by these countries to meddle in the affairs of Chile's neighbors. A radical government also would be more inclined to support Cuba in urging a debtors cartel and might consider repudiating Chile's foreign debt. [REDACTED]

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Stepped-up repression by Pinochet could prove almost as bad for US interests as a radical takeover. Although an ultra-conservative regime would try to keep radical leftist activity in check, another prolonged period of repression risks further

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polarization and greater instability over the long term. Meanwhile, prospects for a transition to civilian rule would be set back substantially, and human rights abuses would increase. Although the regime most likely would adhere to its loan commitments, foreign creditors, alarmed at the renewed unrest, might refuse to extend new loans or provide other concessions. The regime then might take the dramatic step of suspending payments on its existing loans and channeling all its resources to domestic needs instead. 25X1